

THREE TO FIVE DAYS PRIOR**OVERVIEW**

During this time frame, a profile of the financial institution is developed through a review of documentation available through FDIC documents and information received from the financial institution. This profile will provide the examiners conducting the examination with an understanding of the financial institution and its community. In addition, the examiners will be aware of issues to be investigated during the examination.

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**TELEPHONE
CALL TO THE
FINANCIAL
INSTITUTION**

This call should be made as early as possible in the PEP process to provide institution management sufficient time to prepare for the beginning of the on-site portion of the examination.

Call the Financial Institution
<i>NOTE: If concurrent examinations are being conducted, this call should be coordinated with DOS. Ensure coordination with DOS personnel has occurred concerning concurrent examinations.</i>
1. Inform financial institution management of the examination start date.
2. Schedule an entrance meeting with persons responsible for the management of compliance and CRA, such as the president, the compliance and/or CRA officer, any other personnel identified by financial institution management.

**TELEPHONE
CALL TO THE
FINANCIAL
INSTITUTION
(cont'd)**

3. Obtain operating hours, directions to the financial institution, and make any other arrangements, as necessary.

**PEP
PROCEDURES**

**Review the Following and Summarize Findings
in the PEP Memorandum**

Compliance Examination Report(s)

1. Review the most recent Compliance Examination Report(s), both FDIC and State, and any visitations, to determine, at a minimum, the following:
 - Number of examiners
 - CRA and Compliance examination hours
 - CRA and Compliance ratings
 - The overall condition of the financial institution's compliance and CRA programs
 - NOTE: Determine if there are major weaknesses, and the reasons given.*
 - Previous recommendations made for improvement
 - Areas where systemic violations were noted and the reasons given

Correspondence

2. Review compliance and safety and soundness correspondence to identify and become familiar with the following, as applicable:
 - Consumer complaints received since the previous compliance examination (Nature and Volume)
 - Institution management's response to the previous compliance examination
 - Applications in process
 - Openings and closings of branch locations

**PEP
PROCEDURES
(cont'd)**

Changes in organizational structure (mergers, holding company, etc.)

Changes in management

Formal and informal enforcement action(s) outstanding, effective date, and compliance with such (through the review of progress reports)

Data Requested From the Financial Institution

3. Analyze information obtained from the financial institution in response to the CIR and, if applicable, the CDR.

Refer to the Two Months Prior To Scheduled Examination section for details.

Safety and Soundness Examination Report and Reports of Condition and Income

4. Obtain the most recent FDIC or State safety and soundness CAMEL and composite ratings through either:

Banking Information Tracking System (BITS) – "Examination Data" field. BITS may be accessed through the FDIC's database

The most recent safety and soundness examination report

5. Enter this data on the PEP Memorandum Data Sheet (Attachment A).

6. Also from BITS, review the most recent Report of Condition and Income and enter the following data on the PEP Memorandum Data Sheet:

Total deposits

Gross loans

Loan portfolio mix

Loans-to-assets and loans-to-deposits ratios

Quarterly averages

Other information, as appropriate

**PEP
PROCEDURES
(cont'd)**

Uniform Bank Performance Report (UBPR)	
7.	Analyze the data and trends relating to: Total assets Gross loans Loan portfolio mix Loan-to-assets and loans-to-deposits ratios Other areas, as appropriate
Additional Sources of Information	
8.	Review information received from the financial institution identifying the delineated community(ies) or assessment area(s), including census tracts or block numbering area designation(s).
9.	Review other available demographic data received from the financial institution. The following are examples of demographic data that might be reviewed: Median family income Percent owner-occupied households (by race) Number of persons (by race) Percent population (by race) <i>NOTE: Additional demographic data may be available from the Regional Office, CAP staff, and in the field office in hardcopy or Lotus spreadsheet form.</i>
10.	Obtain information from the following sources: HMDA Disclosure Statements HMDA Metropolitan Statistical Area (MSA) Aggregation Reports Federal Reserve Board (FRB) Analysis Reports HMDA Late Reporter Listing Community Contact Forms Demographic Data
11.	Request Regional Office assistance to obtain HMDA reports, if necessary.

**PEP
PROCEDURES
(cont'd)**

The DCA Washington Office provides the following data to the Regional and DCA field offices on CD-ROM:

Financial Institution HMDA-LARs, Transmittal Sheets, and
Disclosure Statements
MSA Aggregation Reports

DCA Washington Office provides the HMDA Late Reporter Listings to the Regional Offices. The Regional Offices will distribute the late reporter listings to the field offices.

12. Review, at a minimum, the HMDA Disclosure Statements during PEP for all applicable financial institutions.

NOTE: Review these reports early in the PEP process to determine if FRB HMDA Analysis Reports should be ordered and reviewed.

13. Consult the Regional Office and Community Affairs Program (CAP) staff for assistance in analyzing HMDA data, particularly when the financial institution is:

A large HMDA reporter (more than 100 LAR lines filed)

Has significant HMDA reporting problems

Further analysis is required after the review of the HMDA
Disclosure Statements

**COMMUNITY
CONTACT
INTERVIEWS**

Conduct Community Contact Interviews

1. Conduct Community Contact(s), if feasible, based on geographic distances and contact(s) schedules.

If conducting contact(s) during PEP is not feasible, schedule the contact(s) early in the on-site examination.

2. Detail contacts made or reviewed that were previously conducted and summarize information contained therein.

**PEP
MEMORANDUM**

The PEP Memorandum, at a minimum, will detail the items under Scope of the Current Examination, below, as well as summarize the findings of the review of the:

Compliance Examination Report(s)
Correspondence
Safety and Soundness Examination Report and Reports of Condition and Income
Uniform Bank Performance Report (UPBR)
Requested data from the financial institution
Additional sources of information

The information needed for preparing the PEP Memorandum is available from the following sources:

FDIC Regional Office
FDIC field office
FDIC database
Financial institution

NOTE: The PEP Memorandum should be completed following the review of demographic data and the conclusion of any community contact interviews, if performed during PEP.

**Scope of the
Current
Examination****Complete and Distribute the PEP Memorandum**

1. Provide the following information:

Projected examination start date
Name of EIC and assisting examiners, if available
Anticipated compliance and CRA examination hours
Proposed number of community contact(s) to be performed
Banking offices to be visited and scope of examination procedures to be performed at those offices

2. Identify specific areas to investigate, as applicable:

Areas of regulatory concentration resulting from amendments to or the adoption of laws and regulations that became effective since the previous examination

Compliance with outstanding enforcement action(s), informal or formal

**PEP
MEMORANDUM (cont'd)**

Review of consumer complaints

(Additional) HMDA analysis to be performed

Truth in Lending reimbursement file search validity, calculation accuracy, and verification of disbursement

3. Distribute a copy of the PEP Memorandum as follows:

EIC and assisting examiners

Field Office Supervisor

Examination workpapers

**Sample Outline
for PEP
Memorandum**

**COMPLIANCE EXAMINATION
Outline for Pre-Examination Planning Memorandum**

1. Briefly summarize the findings obtained through the pre-examination planning process. Discuss the following, as applicable:

A. Last Examination

Strengths and weaknesses along with corresponding recommendations concerning the financial institution's compliance posture

Strengths and weaknesses along with corresponding recommendations concerning the financial institution's CRA performance

B. Interim Period Between Examinations

Changes in management
Changes in organizational structure
Concerns identified through community contacts
Consumer complaints
Informal or formal enforcement action(s), if any
Corrective actions taken

**PEP
MEMORANDUM (cont'd)****Sample Outline
(cont'd)****C. Current Examination**

Proposed scope of examination
Issues to be investigated or areas to be targeted
Areas where only limited testing is deemed necessary

**MATERIALS
FOR ON-SITE
EXAMINATION****Prepare Materials for the On-site Visit**

1. Assemble the following materials to take to the financial institution:
 - Materials developed in pre-examination planning, including the PEP Data Sheet and Memorandum (See the Sample Documents section)
 - Prior Compliance Examination Report(s)
 - Correspondence file
 - Prior examination workpapers

**FDIC LAW,
REGULATIONS
, & RELATED
ACTS****Applicable Rules**None

**Advisory
Opinions**None

**Statements of
Policy**None

**DCA
MEMORANDA**

Examination Procedures for Verifying Truth in Lending Restitution Disbursements, Transmittal #DCA-96-005, dated 1/19/96

Pre-Examination Planning (PEP) Procedures, Transmittal No. DCA-96-013, dated 1/31/96

Regional Manager Memorandum, Community Contacts and Community Reinvestment Act, Transmittal #94-35, dated 3/1/94

**FINANCIAL
INSTITUTION
LETTERS (FIL)**None

OTHER

FFIEC Community Contact Procedures, Community Reinvestment Act Examination Procedures -and- Performance Evaluations, "Red Book", Tab K
